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# CSD News Release

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## **LIST OF TOP TEN SCAMS FOR 2002 PUBLISHED**

The National Association of Consumer Agency Administrators (NACAA), a Washington-based network of government consumer protection groups such as the Miami-Dade Consumer Services Department (CSD), has published a list of the top ten scams being used by con artists other fraudsters to prey on consumers.

The list, which is featured in the latest issue of the newsletter NACAA News was compiled by the North American Securities Administrators Association (NASAA), which like CSD is a NACAA member.

It is based on the prevalence and seriousness of scams which have come to the attention of state regulators and contained at least one scam, **Affinity fraud**, which recently made the news in South Florida.

NASAA notes that resources for investigating and prosecuting investment fraud are shrinking at both the federal and state levels at a time when the lure of high commissions is enticing many otherwise honest agents into selling high risk or fraudulent investments.

The recent volatility of the stock market has also contributed to an increase in fraud, said Joseph Borg, president of NASAA and director of the Alabama Securities Commission.

Borg said "con artists know investors are concerned about the volatile stock market and low yields on bonds and bank deposits, so they pitch their scams as safe alternatives and promise high returns – an impossible combination,"

NASAA has advised that would-be investors, before committing any resources, call their state securities regulators and find out if an individual selling them an investment is licensed to do so and if the investment itself is registered.

### **The Top 10 Investment Scams of 2002**

**1. Unlicensed individuals selling securities** - Scam artists lure unlicensed individuals, such as insurance agents, into selling securities they know little about by promising high commissions.

2. **Unscrupulous stockbrokers** - Some brokers resort to cutting corners or outright fraud in the face of a declining stock market. NASAA urges investors to scrutinize their brokerage statements carefully for unexplained fees, unauthorized trades, or other irregularities.
3. **Analyst research conflicts** - NASAA is assisting a multi-state task force in investigating possible conflict-of-interest violations at Wall Street firms. The primary issue is whether or not analysts made- "buy" recommendations in order to win the business of investment banks.
4. **Promissory notes** - These are short-term debt instruments often sold by independent insurance agents and issued by companies promoting high returns with little or no risk.
5. **"Prime bank" schemes** - Scam artists promise investors exceptionally high returns through access to the investment portfolios of the world's elite banks, or the "secret" investments of the Rothschilds or Saudi royalty.
6. **Viatical settlements**- These are interests in the death benefits of the terminally ill and are always risky and occasionally fraudulent. The insured gets a percentage of the death benefit in cash and investors get a share of the death benefit when the insured dies.
7. **Affinity fraud**- Scammers use the victim's religious or ethnic identity to gain trust before stealing the victim's life savings, whether through a "gifting" program, real estate fraud, or other such fraudulent investment.
8. **Charitable gift annuities** - These annuities are transfers of cash or property to a charitable organization. The value of the annuity is less than the value of the cash or property, with the difference constituting a charitable donation. While most charitable annuities are legitimate investments, investors should be cautious of little-known organizations or those that do not provide complete information.
9. **Oil and gas schemes** - This type of fraud is more common with predictions of oil shortages or a rise in natural gas prices.
10. **Equipment leasing** - While the majority of equipment leasing deals are legitimate, thousands of investors have been scammed by individuals selling interests in payphones, ATMs, or Internet kiosks, promising high returns with little or no risk.

Complaints to CSD about these kinds of scams are referred to the Department of Banking and Finance [TEL: 305 810-1111 or 800 848-3792], the agency responsible for securities regulation in Florida.

For additional information contact Ashley Baker at NASAA [202 737-0901 ext. 105] or visit the NASAA website at; [www.nasaa.org](http://www.nasaa.org).

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*The Miami Dade Consumer Services Department is an agency of Miami-Dade County government that protects consumers through complaint mediation, business regulation, and consumer education. The Department operates the Consumer Hotline (305) 375-3677, a central telephone number for consumer complaints and information.*

***National Consumer Protection Week is February 2 – 8, 2003***